

KALAMAZOO AREA TRANSPORTATION STUDY
Kalamazoo, Michigan

FINANCIAL STATEMENTS
September 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name KALAMAZOO AREA TRANSPORTATION STUD	County KALAMAZOO
Audit Date 9/30/05	Opinion Date 10/27/05	Date Accountant Report Submitted to State: 12/19/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓


Certified Public Accountant (Firm Name) GARDNER, PROVENZANO, SCHAUMAN & THOMAS, P.C.			
Street Address 4855 STATE STREET	City SAGINAW	State MI	ZIP 48608
Accountant Signature 		Date 12/19/05	

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

October 27, 2005

To The Policy Committee
Kalamazoo Area Transportation Study
Kalamazoo, Michigan

We have audited the accompanying financial statements of the business type activities of the Kalamazoo Area Transportation Study as of and for the years ended September 30, 2005 and 2004, which comprise the organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Kalamazoo Area Transportation Study's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activities of the Kalamazoo Area Transportation Study as of September 30, 2005 and 2004, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

To The Policy Committee
Kalamazoo Area Transportation Study
Kalamazoo, Michigan
October 27, 2005
Page Two

The management's discussion and analysis on pages 1 through 4 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2005, on our consideration of the Kalamazoo Area Transportation Study's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules included on pages 15 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as whole.

Sandra Provenzano, Schuman & Thomas

Certified Public Accountants

MANAGEMENT'S DISCUSSION & ANALYSIS

KALAMAZOO AREA TRANSPORTATION STUDY
MANAGEMENT'S DISCUSSION AND ANALYSIS

I. General Description of Basic Financial Statements

The Kalamazoo Area Transportation Study (KATS) is the Metropolitan Planning Organization (MPO) for Kalamazoo County. As the MPO, KATS prepares a 20 year Transportation Plan, a Transportation Improvement Program, and assigns federal surface transportation program funds available to Kalamazoo County to various eligible road and public transportation projects. Funding for KATS is provided for on a reimbursement basis of expenses incurred on its programs. Other local agencies match a certain amount to complete the program by contributing in-kind effort. A policy committee that consists of several representatives from local governmental agencies governs KATS.

For accounting purposes, KATS uses only one fund. The fund is a business type enterprise fund that applies the full accrual basis of accounting. Hence, unlike most governmental units, KATS reports its financial information only in the full accrual format. The audited financial activities of KATS are presented herein. These statements include:

Statements of Fund Net Assets
Statements of Revenues, Expenses, and Changes in Fund Net Assets
Statements of Cash Flows

Along with the financial statements are the footnote disclosures and supplementary information.

II. Condensed Financial Statements and Analysis and Discussion of Significant Transactions

Table One – Net Assets

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets	\$ 198,724	\$ 209,669
Capital assets	2,575	6,178
Total Assets	<u>\$ 201,299</u>	<u>\$ 215,847</u>
LIABILITIES		
Current liabilities	\$ 81,625	\$ 93,043
Total Liabilities	<u>\$ 81,625</u>	<u>\$ 93,043</u>
NET ASSETS		
Invested in capital assets, net of related debt	\$ 2,575	\$ 6,178
Unrestricted	117,099	116,626
Total Net Assets	<u>\$ 119,674</u>	<u>\$ 122,804</u>

KALAMAZOO AREA TRANSPORTATION STUDY
MANAGEMENT'S DISCUSSION AND ANALYSIS

II. Condensed Financial Statements and Analysis and Discussion of Significant Transactions (cont.)

Table Two – Changes in Net Assets

	<u>2005</u>	<u>2004</u>
REVENUES		
Federal and State grants	\$ 203,556	\$ 211,433
Local unit contributions (in-kind)	212,466	221,583
Interest income and other	15,855	30,440
Total Revenues	<u>431,877</u>	<u>463,456</u>
EXPENSES		
Reimbursed program expenses	216,036	240,843
Contributed effort (in-kind)	212,466	221,583
Other	6,505	11,363
Total Expenses	<u>435,007</u>	<u>473,789</u>
Change in Net Assets	<u>\$ (3,130)</u>	<u>\$ (10,333)</u>

Table Three – Cash Flows

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,130)	\$ (10,333)
Adjustments to reconcile change in net assets to net cash provided by activities		
Depreciation	3,603	3,603
(Increase) decrease in:		
Current assets	44,774	106,172
Decrease (increase) in:		
Current liabilities	(11,418)	(562,857)
Net Cash Provided (Used) By Operating Activities	<u>33,829</u>	<u>(463,415)</u>
Cash (due from KCRC), beginning of year	97,276	560,691
Cash (due from KCRC), end of year	<u>\$ 131,105</u>	<u>\$ 97,276</u>

Overall, the financial position of KATS decreased by \$3,130, as measured by the change in net assets. Current year revenues decreased by \$31,579, compared to the prior year. Federal and State grant revenue was down by \$7,877, due to less reimbursable costs being incurred associated with these programs. Local unit in-kind contributions were down by \$9,117, due to a decrease in local effort applied to the projects. Interest income and other revenues were down by \$14,585, due to a decrease in other reimbursable costs being incurred. Current year expenses decreased by \$38,782, compared to the prior year due to less

KALAMAZOO AREA TRANSPORTATION STUDY
MANAGEMENT'S DISCUSSION AND ANALYSIS

II. Condensed Financial Statements and Analysis and Discussion of Significant Transactions (cont.)

reimbursable costs associated with grants and other reimbursements being incurred and less in-kind cost effort being contributed by the local agencies.

The excess of non-reimbursable audit fees over interest and other income caused the decrease in net assets of \$3,130. The audit fees are not allowable as a reimbursable item due to the fact that the organization's total federal expenditures are below the \$500,000 threshold requiring a federal single audit.

III. Budget Process

The KATS budget is prepared annually and is contained in the Unified Work Program (UWP) adopted by the Policy Committee and approved by MDOT and the Federal Highway Administration (FHWA). This budget identifies the areas of planning work anticipated to be addressed in the year with estimates of time and resources needed for that work. FHWA, FTA, MDOT, and local agency staffs have input into the budget process so that areas of emphasis can be included. As with any estimate, the areas of planning work may actually demand more or less resources than estimated. If the anticipated changes are significant, the UWP is amended.

The estimated cost rates for wages, fringes, and indirect costs are used for billing reimbursements of program expenses. At the end of the year, actual costs incurred are determined and a final bill adjusting reimbursements to actual is submitted.

The actual costs incurred by KATS along with local matching contributed costs and the amended budget for the fiscal year displayed by grant and work element are included on pages 15 through 19. A comparison of final amended budget to actual displayed by natural expense category is included on page 20. Actual expenses were less than budgeted. The primary reason for this is the fact that one full-time staff position that was budgeted remained vacant.

IV. Capital Assets and Long-Term Debt

Following is a summary of capital assets and accumulated depreciation.

	<u>2005</u>	<u>2004</u>
Equipment and furniture	\$ 18,790	\$ 59,477
Accumulated depreciation	(16,215)	(53,299)
Capital Assets Net of Accumulated Depreciation	<u>\$ 2,575</u>	<u>\$ 6,178</u>

KALAMAZOO AREA TRANSPORTATION STUDY
MANAGEMENT'S DISCUSSION AND ANALYSIS

IV. Capital Assets and Long-Term Debt (cont.)

The capital assets of KATS consist of office furniture and equipment. KATS has implemented a capitalization policy consistent with MDOT and FHWA that requires all items purchased having a useful life in excess of one year and costing more than \$5,000 must be capitalized and depreciated rather than being directly expensed. Currently, there are no plans for future capital asset purchases.

KATS does not have any long-term debt.

V. Currently Known Facts, Decisions, or Conditions Expected to Have a Significant Effect

In the past, KATS had the ability to be reimbursed for all allowable costs incurred with administering its grants and programs. Going forward, management does not believe that total program costs will exceed the \$500,000 threshold that would allow for audit fees to be a reimbursable item. To offset the effect of this non-reimbursable expense, a plan will need to be adopted to offset the slow, but inevitable erosion of the organization's financial position.

KALAMAZOO AREA TRANSPORTATION STUDY
STATEMENTS OF FUND NET ASSETS
SEPTEMBER 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Due from Kalamazoo County Road Commission	\$ 131,105	\$ 97,276
Contracts receivable	3,702	3,702
Due from Grantors	62,022	107,094
Prepaid expense	1,895	1,597
Equipment and furniture	18,790	59,477
Accumulated depreciation	(16,215)	(53,299)
Total Assets	<u>\$ 201,299</u>	<u>\$ 215,847</u>
LIABILITIES		
Accounts payable	\$ 4,691	\$ 2,896
Due to Grantors	2,343	19,881
Due to local agencies - MTF	3,763	2,435
Compensated absences	25,828	22,831
Advances from local units	45,000	45,000
Total Liabilities	<u>81,625</u>	<u>93,043</u>
NET ASSETS		
Invested in capital assets, net of related debt	2,575	6,178
Unrestricted	117,099	116,626
Total Net Assets	<u>119,674</u>	<u>122,804</u>
Total Liabilities And Net Assets	<u>\$ 201,299</u>	<u>\$ 215,847</u>

See accompanying notes to financial statements.

KALAMAZOO AREA TRANSPORTATION STUDY
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
Federal grants	\$ 196,047	\$ 202,248
State grants	7,509	9,185
Local unit contributions (in-kind)	212,466	221,583
Interest income	3,291	1,008
Other	12,564	29,432
Total Revenues	<u>431,877</u>	<u>463,456</u>
EXPENSES		
Program development, management, and coordination	103,746	106,185
System surveillance and monitoring	108,075	105,926
Transportation management systems	72,878	88,443
Transportation systems planning and special studies	143,803	161,872
Other	6,505	11,363
Total Expenses	<u>435,007</u>	<u>473,789</u>
Change in Net Assets	(3,130)	(10,333)
Net Assets, beginning	122,804	133,137
Net Assets, ending	<u>\$ 119,674</u>	<u>\$ 122,804</u>

See accompanying notes to financial statements.

KALAMAZOO AREA TRANSPORTATION STUDY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ (3,130)	\$ (10,333)
Adjustments to reconcile change in net assets to net cash provided by activities		
Depreciation	3,603	3,603
(Increase) decrease in:		
Contracts receivable	-	1,810
Due from grantors	45,072	104,323
Prepaid expense	(298)	39
Decrease (increase) in:		
Accrued expenses	1,795	(8,359)
Due to Grantors	(17,538)	(3,265)
Due to local agencies - MTF	1,328	(1,463)
Compensated absences	2,997	4,911
Refund Due to Grantors Section 112	-	(372,126)
Refund Due To Grantors STP-U	-	(48,777)
Refund Due to Grantors Section 08	-	(133,778)
Net Cash Provided (Used) By Operating Activities	<u>33,829</u>	<u>(463,415)</u>
Cash (due from Kalamazoo County Road Commission), beginning of year	97,276	560,691
Cash (due from Kalamazoo County Road Commission), end of year	<u>\$ 131,105</u>	<u>\$ 97,276</u>

See accompanying notes to financial statements.

KALAMAZOO AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Principles

These financial statements present principally the transactions of the Kalamazoo Area Transportation Study (the Study), which accounts for the use of annually renewable federal and state transportation planning grants.

In accordance with United States of America generally accepted accounting principles and Government Accounting Standards Board Statement (GASB) No. 14, The Financial Reporting Entity, these financial statements represent the Kalamazoo Area Transportation Study. The criteria established by the GASB for determining the reporting entity include oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Kalamazoo Area Transportation Study has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely presented component unit in these financial statements.

In June 1999, the GASB approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

Certain of the significant changes in the Statement that affect the Study's reporting include:

- A Management Discussion and Analysis section of the Study's overall financial position and results of operations.

KALAMAZOO AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Principles (continued)

Basis of Accounting

The Study is considered to be a proprietary fund type and as such prepares its financial statements on the full accrual basis of accounting. Costs are recognized in the period in which they are incurred. Revenues are recognized in the period when they are earned or in the period in which the expenditures financed by the revenue are incurred.

Capital Assets and Depreciation

Capital assets purchased or acquired with an original cost of \$5,000 or more are recorded at cost and depreciated over the estimated useful life of the asset. Maintenance and repairs are expensed when incurred.

Due From Kalamazoo County Road Commission

The balance shown as due from the Kalamazoo County Road Commission represents cash held on behalf of the Kalamazoo Area Transportation Study.

For the purposes of the presentation of the statement of cash flows, the balance due from the Kalamazoo County Road Commission is considered to be equivalent to cash.

Advances From Local Units

Advances from local units represent long-term advances made to the Study for which no terms of repayment have been established.

Cost Allocation for Grant Billing

The Study's policy for allocating costs between common task items (program management and development) is to allocate two thirds of the cost to Section 112 and one third to Section 8.

KALAMAZOO AREA TRANSPORTATION STUDY NOTES TO FINANCIAL STATEMENTS

NOTE 2--Amounts Due From/To Grantors

Amounts due from/to grantors consist of the following:

Grant	2005		2004	
	Due From	Due To	Due From	Due To
Federal				
FHWA Section 112	\$ 36,057	\$ -	\$ 86,118	\$ 14,141
OHSP TEPG Funds	-	462	-	462
FTA Section 8	19,248	-	13,824	4,568
State				
MTF	6,717	1,881	7,152	710
Totals	<u>\$ 62,022</u>	<u>\$ 2,343</u>	<u>\$ 107,094</u>	<u>\$ 19,881</u>

NOTE 3--Functional Allocation of Costs

The costs of providing the various programs have been summarized on a functional basis. Accordingly, certain costs (fringe benefits and indirect costs) have been allocated to the programs based on labor costs. The following schedule presents total expenses provided by the Study and other agencies. All agencies report labor and direct costs to the Study. Only the Study is allowed to charge fringe benefits and indirect costs.

	2005			2004		
	Grant Costs Submitted	Additional Project Effort	Total	Grant Costs Submitted	Additional Project Effort	Total
Kalamazoo Area Transportation Study	\$ 222,541	\$ -	\$ 222,541	\$ 240,843	\$ -	\$ 240,843
Kalamazoo County Road Commission	23,887	33,866	57,753	25,080	39,664	64,744
City of Kalamazoo	20,214	127,579	147,793	21,251	128,982	150,233
City of Portage	2,907	1,803	4,710	1,865	2,576	4,441
County of Kalamazoo and other agencies	640	1,570	2,210	692	1,473	2,165
	<u>\$ 270,189</u>	<u>\$ 164,818</u>	<u>\$ 435,007</u>	<u>\$ 289,731</u>	<u>\$ 172,695</u>	<u>\$ 462,426</u>

NOTE 4--Defined Benefit Pension Plan

Plan Description

The Study's defined benefit pension plan provides retirement, disability and death benefits to plan members and beneficiaries. The Study participates in the Kalamazoo County Employees Retirement System, a Public Employee Retirement System which is an agent multiple-employer plan administered by the

KALAMAZOO AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Defined Benefit Pension Plan (continued)

Plan Description (continued)

Kalamazoo County Employees Retirement System. The Kalamazoo County Board of Commissioners establishes and amends the benefit provisions of the participants in the plan. The Kalamazoo County Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plan. The report may be obtained by writing to the Kalamazoo County Employees Retirement System, 201 W. Kalamazoo Avenue, Kalamazoo, Michigan 49007 or by calling 269-384-8111.

Funding Policy

The Study is required to contribute at an actuarially determined rate; the current rate is 1.54% of covered payroll. Employees are currently not required to contribute to the plan. The contribution requirements are established by the Kalamazoo County Employees Retirement System. The contribution requirements of plan members, if any, are established and may be amended by the Study depending on the plan's contribution program.

Annual Pension Cost

For the year ended September 30, 2005, the Study's annual pension cost of \$3,611 for the plan approximated the Study's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.75% and (b) projected salary increased of 4.5% to 10.8% per year compounded annually, attributable to inflation. The actuarial value of the plan

KALAMAZOO AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Defined Benefit Pension Plan (continued)

Annual Pension Cost (continued)

assets was determined on the basis of a market value method with five years smoothing. The amortization method is level percent of payroll, closed period.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12-31-02	-	100.00%	-
12-31-03	192,645	103.10%	-
12-31-04	233,231	101.40%	-

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets {a}	Actuarial Accrued Liability Entry Age {b}	Unfunded AAL (UAAL) {b-a}	Funded Ratio {a/b}	Covered Payroll {c}	UAAL as a % of Covered Payroll {b-a}/{c}
12-31-02	16,147,397	13,789,623	(2,357,774)	117.10%	2,812,810	-83.80%
12-31-03	16,321,860	14,385,904	(1,935,956)	113.50%	2,887,703	-67.00%
12-31-04	17,756,629	13,864,504	(3,892,125)	128.10%	2,963,219	-131.30%

NOTE 5--Contingent Liability for Interest on Advances

The Study received advances for operating purposes in the amount of \$45,000. The agreements providing the advances (dated 12/09/1982) state that interest earned by the Study on these advances shall be distributed to the contributing agencies. Since inception, to the best of management's knowledge, no interest earned on the advances has been paid to the contributing agencies. The estimated amount of interest earned on the advances has not been determined. Management is currently negotiating this provision of the agreements with the contributing agencies.

KALAMAZOO AREA TRANSPORTATION STUDY
NOTES TO FINANCIAL STATEMENTS

NOTE 6--Contingent Liability for Federal and State Grants

The Study has received significant financial assistance from state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the Study.

SUPPLEMENTARY INFORMATION

KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF EXPENSES BY FUNDING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

All Grants Combined

	<u>KATS</u>	<u>Local Match</u>	<u>Project Effort</u>	<u>Supplemental Local Project Effort</u>	<u>Total Effort</u>	<u>Budget</u>
Program Management and Development						
Program Management and Administration	\$ 37,598	\$ 57	\$ 37,655	\$ 122	\$ 37,777	\$ 30,980
Unified Work Program	14,241	202	14,443	435	14,878	15,637
Transportation Improvement Program	17,237	1,977	19,214	4,246	23,460	32,670
Public Involvement Process	14,344	4,221	18,565	9,066	27,631	47,993
System Surveillance and Monitoring						
Demographic Data Surveillance	30,267	-	30,267	-	30,267	38,749
Highway System Surveillance	5,626	6,327	11,953	8,325	20,278	37,544
Transit System Surveillance	-	4,325	4,325	53,205	57,530	103,952
Management Systems						
Pavement Management System	15,285	883	16,168	1,163	17,331	20,118
Asset Management	7,509	3,084	10,593	-	10,593	20,000
Bridge Management System	-	3,528	3,528	4,642	8,170	9,955
Safety Management System	22,058	1,460	23,518	1,922	25,440	31,097
UD-10 Coding System	10,627	-	10,627	-	10,627	5,959
Congestion Management System	-	310	310	407	717	16,391
Public Transportation Management System	-	-	-	-	-	7,963
Intermodal Management System	-	-	-	-	-	4,625
Systems Planning and Analysis						
Transportation Plan	31,178	1,156	32,334	2,488	34,822	101,682
Transit System Analysis	4,613	4,763	9,376	58,590	67,966	235,897
Highway System Analysis	-	7,814	7,814	10,283	18,097	45,624
Special Studies	72	3,937	4,009	5,180	9,189	20,799
Traffic Impact/Access Management	-	488	488	643	1,131	6,462
Air Quality	5,381	3,116	8,497	4,101	12,598	20,377
Subtotals	<u>216,036</u>	<u>47,648</u>	<u>263,684</u>	<u>164,818</u>	<u>428,502</u>	<u>854,474</u>
Cash Match						
FY 04 Audit cost	<u>6,505</u>	<u>-</u>	<u>6,505</u>	<u>-</u>	<u>6,505</u>	<u>-</u>
Subtotals	<u>6,505</u>	<u>-</u>	<u>6,505</u>	<u>-</u>	<u>6,505</u>	<u>-</u>
Totals	<u>\$ 222,541</u>	<u>\$ 47,648</u>	<u>\$ 270,189</u>	<u>\$ 164,818</u>	<u>\$ 435,007</u>	<u>\$ 854,474</u>

KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF EXPENSES BY FUNDING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Grant - FHWA Section 112, 80901
(81.85%, 18.15%)

	<u>KATS</u>	<u>Local Match</u>	<u>Project Effort</u>	<u>Supplemental Local Project Effort</u>	<u>Total Effort</u>	<u>Budget</u>
Program Management and Development						
Program Management and Administration	\$ 26,499	\$ 53	\$ 26,552	\$ 69	\$ 26,621	\$ 21,835
Unified Work Program	9,969	187	10,156	246	10,402	10,946
Transportation Improvement Program	12,066	1,827	13,893	2,405	16,298	22,869
Public Involvement Process	10,041	3,901	13,942	5,134	19,076	33,595
System Surveillance and Monitoring						
Demographic Data Surveillance	30,267	-	30,267	-	30,267	38,749
Highway System Surveillance	5,626	6,327	11,953	8,325	20,278	37,544
Management Systems						
Pavement Management System	2,804	883	3,687	1,163	4,850	20,118
Bridge Management System	-	3,528	3,528	4,642	8,170	9,955
Safety Management System	22,058	1,460	23,518	1,922	25,440	31,097
UD-10 Coding System	10,627	-	10,627	-	10,627	5,959
Congestion Management System	-	310	310	407	717	16,391
Intermodal Management System	-	-	-	-	-	4,625
Systems Planning and Analysis						
Transportation Plan	21,974	1,068	23,042	1,406	24,448	71,665
Highway System Analysis	-	7,814	7,814	10,283	18,097	45,624
Special Studies	72	3,937	4,009	5,180	9,189	20,799
Traffic Impact/Access Management	-	488	488	643	1,131	6,462
Air Quality	5,381	3,116	8,497	4,101	12,598	20,377
Totals	<u>\$ 157,384</u>	<u>\$ 34,899</u>	<u>\$ 192,283</u>	<u>\$ 45,926</u>	<u>\$ 238,209</u>	<u>\$ 418,610</u>

KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF EXPENSES BY FUNDING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Grant - FTA Section 8, 5303 80849
(80%, 20%)

	<u>KATS</u>	<u>Local Match</u>	<u>Project Effort</u>	<u>Supplemental Local Project Effort</u>	<u>Total Effort</u>	<u>Budget</u>
Program Management and Development						
Program Management and Administration	\$ 11,099	\$ 4	\$ 11,103	\$ 53	\$ 11,156	\$ 9,145
Unified Work Program	4,272	15	4,287	189	4,476	4,691
Transportation Improvement Program	5,171	150	5,321	1,841	7,162	9,801
Public Involvement Process	4,303	320	4,623	3,932	8,555	14,398
System Surveillance and Monitoring						
Transit System Surveillance	-	4,325	4,325	53,205	57,530	103,952
Management Systems						
Public Transportation Management System	-	-	-	-	-	7,963
Systems Planning and Analysis						
Transportation Plan	9,204	88	9,292	1,082	10,374	30,017
Transit System Analysis	4,613	4,763	9,376	58,590	67,966	235,897
Totals	<u>\$ 38,662</u>	<u>\$ 9,665</u>	<u>\$ 48,327</u>	<u>\$ 118,892</u>	<u>\$ 167,219</u>	<u>\$ 415,864</u>

KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF EXPENSES BY FUNDING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Grant - MTF FY05 Asset Management

	<u>KATS</u>	<u>Local Match</u>	<u>Project Effort</u>	<u>Supplemental Local Project Effort</u>	<u>Total Effort</u>	<u>Budget</u>
Management Systemts Asset Management	\$ 7,509	\$ 3,084	\$ 10,593	\$ -	\$ 10,593	\$ 20,000
Totals	<u>\$ 7,509</u>	<u>\$ 3,084</u>	<u>\$ 10,593</u>	<u>\$ -</u>	<u>\$ 10,593</u>	<u>\$ 20,000</u>

KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF EXPENSES BY FUNDING SOURCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Other Local

	<u>KATS</u>	<u>Local Match</u>	<u>Project Effort</u>	<u>Supplemental Local Project Effort</u>	<u>Total Effort</u>	<u>Budget</u>
Management Systems						
Pavement Management System	\$ 12,481	\$ -	\$ 12,481	\$ -	\$ 12,481	\$ -
Subtotals	<u>12,481</u>	<u>-</u>	<u>12,481</u>	<u>-</u>	<u>12,481</u>	<u>-</u>
Cash Match						
FY 04 Audit cost	6,505	-	6,505	-	6,505	-
Subtotals	<u>6,505</u>	<u>-</u>	<u>6,505</u>	<u>-</u>	<u>6,505</u>	<u>-</u>
Totals	<u>\$ 18,986</u>	<u>\$ -</u>	<u>\$ 18,986</u>	<u>\$ -</u>	<u>\$ 18,986</u>	<u>\$ -</u>

KALAMAZOO AREA TRANSPORTATION STUDY
SCHEDULE OF BUDGETED AND ACTUAL COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

<u>Costs</u>	<u>Budget</u>	<u>Percent</u>	<u>Actual</u>	<u>Percent</u>
Direct salaries	\$ 179,841	100.00%	\$ 111,109	100.00%
Fringe benefits:				
Annual leave	9,457		6,956	
Sick leave	8,771		6,634	
Emergency leave	644		-	
Holiday leave	6,442		4,311	
Social security	11,150		9,643	
Health insurance	41,011		20,068	
Dental insurance	3,870		2,118	
Optical insurance	440		228	
Life insurance	1,921		1,392	
Retirement	16,158		3,611	
Workers' compensation	1,798		905	
Subtotal	101,662	56.53%	55,866	50.28%
Indirect cost allocation base	281,503	100.00%	166,975	100.00%
Indirect costs:				
Office space	1,000		1,000	
Equipment	10,000		8,117	
Accounting services	2,000		-	
Legal services	5,000		-	
Legal notices	1,000		192	
Secretarial services	500		-	
Postage	4,000		3,826	
Copy cost	3,000		1,387	
Printing	2,000		2,819	
Supplies	3,800		2,004	
Telephone	2,000		1,246	
Equipment maintenance and repair	700		-	
Insurances	3,000		-	
Computer software	6,000		2,521	
Memberships	500		60	
Subscriptions	2,000		1,103	
Travel	3,300		4,437	
Educational/professional development	2,000		35	
Conferences	2,500		1,586	
Student employee education	500		-	
Website	1,200		613	
Depreciation	3,700		3,603	
Subtotal	59,700	21.21%	34,549	20.69%
Direct costs	250,431		14,512	
Total allowable and allocable costs	591,634		216,036	
Cash Match:				
Audit cost	7,200		6,505	
Total Cash Match	7,200		6,505	
Total Costs	\$ 598,834		\$ 222,541	

Note: This schedule presents only costs incurred by KATS and does not include the costs of any other local agency.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 27, 2005

To the Policy Committee
Kalamazoo Area Transportation Study
Kalamazoo, Michigan

We have audited the financial statements of the Kalamazoo Area Transportation Study as of and for the years ended September 30, 2005 and 2004 and have issued our report thereon dated October 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Kalamazoo Area Transportation Study's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

To the Policy Committee
Kalamazoo Area Transportation Study
Kalamazoo, Michigan
October 27, 2005
Page Two

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Kalamazoo Area Transportation Study's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Policy Committee of the Kalamazoo Area Transportation Study. However, this report is a matter of public record and its distribution is not limited.

Gardner, Protopopos, Schauman & Thomas
Certified Public Accountants